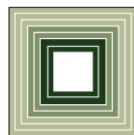


Projected Medicaid Shortfall FY 2011-12

Joint Legislative Commission on Governmental Operations

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FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Purpose and Outline

- The Medicaid program is projected to exceed the certified budget by an estimated \$150 million by the end of the current fiscal year.
 - FY 2011-12 Total Medicaid Budget
 - Components of the Shortfall
 - Prior Years' Liabilities and Off-budget Items
 - Current Year Budget Issues
 - Potential Shortfall Offsets
 - Net Medicaid Budget Shortfall
 - Budget Action Needed

Division of Medical Assistance

FY 2011-12 Certified Budget

	FY 2011-12
Total Requirements	\$12,807,252,930
Federal Receipts	<u>\$9,848,864,746</u>
Net State Appropriation	\$2,958,388,184

FY 2011-12 Budget is \$492.7 million over actual State General Fund expenditures for FY 2010-11. The budget is \$356.2 million less than the Continuation Base Budget.

Components of the Shortfall

Prior Years' Liabilities and Off-Budget Items	(\$ millions)
CMS/Federal Government Repayments: 2009 Overdraw of Federal Funds 2008 PCS – Office of Inspector General Audit 2010 & 2011 Drug Rebate Payments	\$111
Judicial Decision of PCS and halted OAH Hearings	\$15
Contract and other operating shortfalls	\$10
Total Estimated	\$136

Components of the Shortfall

Current Year Budget Issues	(\$ millions)
Federal Delays and Adjustments: State Plan Amendments, federal regulations, and Case Mix Payments	\$41
Overstated Reductions (S.L. 2011-145)	<u>\$79</u>
Total Estimated	\$120

FY 2011-12 Medicaid Budget Gap

- Prior Years' Liabilities/Off-Budget Items
\$136 million
- Current Year's Budget Issues
\$120 million
- **Total Budget Gap**
\$256 million

Potential Medicaid Shortfall Offsets

- S.L. 2011-145 Tobacco Settlement Funds \$11 million
- Unanticipated Medicaid Receipts: \$96 million
 - Hospital Assessments Retro-payments
 - Provider/Business Settlements
- Total Unanticipated Receipts \$107 million

FY 2011-12 Medicaid Net Shortfall

Estimated Additional Spending ¹	\$256 million
Less Additional Receipts	<u>(\$107 million)</u>

Net Estimated Shortfall²	\$150 million
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Note:

¹Forecast based on January 2012 final spending; estimate provided by the Office of State Budget and Management and Department of Health and Human Services - Division of Medical Assistance (DMA).

²Estimate could increase by approximately \$60 million if the State does not receive final federal approval for Hospital Assessments.

Budget Action Needed

- Governor may address a portion of the Medicaid shortfall - the State Budget Act provides limited authority to transfer funds within an agency budget (G.S. 143C-6-4).
 - Office of State Budget and Management has identified funds within the DHHS budget to temporarily manage the Medicaid shortfall until May.
- Additional spending authority is needed to fully address the FY 2011-12 Medicaid budget shortfall – only the Legislature can provide that authority (N.C. State Constitution Article III, Sections 5 and 7).